FOREIGN AGRICULTURE

Harvesting tobacco, Thailand.

World Meat Trade Sags
Dairy Output Ample in 1974

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This week's cover:

Thai woman harvesting tobacco leaves. Tobacco was introduced to Thailand in the early 17th century. In recent years expansion and improvement of the domestic flue-cured crop have been actively encouraged. See article beginning on page 10.

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World Meat Trade Is Sagging as Demand Falls, Exporters Hold Back

EXHIBITING THE sometimes capricious nature of all farm product trade, world meat trade has made a sudden turnabout: Where last year importers seemingly could not get enough, today the problem is surpluses and falling prices. So far, however, the changes arising from this new situation have been more orderly than might have been expected.

The reason is that pasture conditions are excellent in most major meat exporting countries, enabling cattle producers to hold animals off markets in anticipation of improved prices later. Thus, beef exports this year from the top suppliers—Australia, New Zealand, Argentina, Uruguay, Brazil, Central America, Mexico, and Yugoslavia—are seen falling some 25 percent from 1973, giving importing nations time to work off the glut of beef that has suddenly hit their markets.

Among the countries affected by this export restraint is the United States, which in calendar 1974 will probably import 23 percent less meat subject to its Meat Import Law—fresh, chilled, and frozen beef, veal, mutton, and goat —than had earlier been forecast (*Foreign Agriculture*, May 20). This would be about 10 percent below such imports in the last 2 years and come even though the United States is now virtually the only major country that has not clamped severe restrictions on its meat import trade.

Earlier forecasts—in April of this year—also foresaw red meat production in the four major import markets (the United States, the European Community, Canada, and Japan) rising some 4 percent from 1973, with three-fourths of the gain coming in beef and veal. Now it looks as if that figure will be around 6 percent, with the revision taking into account larger-than-expected North American production and a reduction in estimates of 1973 EC output.

The world meat situation has thus come full circle from the previous 2 years, when demand for meat imports was so strong that it literally could not be satisfied. As is often the case, national efforts to expand production and satisfy the demand began to pay off just about the time higher fuel bills, slowing economies, and other problems began cutting into consumer spending, contributing to the current oversupply situation.

United States. Rising meat production here at a time of reduced consumer demand has dropped live cattle prices well below last summer's peaks in a chain of events that is being repeated in almost every major meat importing country of the world. After reaching a peak in January, cattle prices fell steadily through mid-June before recovering some in early July. Average weekly prices on Choice steers at Omaha, for instance, dropped from their January high of over $48 per pound to just under $36 in the second week of June, then rebounded to about $43 at the first of July. Similar changes occurred in hog and broiler prices.

Contributing in part to the price decline is a U.S. production that is increasing faster than had been expected. Whereas the April forecast saw beef and veal production climbing 4 percent this year, it now is forecast up 5-6 percent for a total of 22.8 billion pounds, carcass-weight equivalent. The change comes as a result of an accelerated rate of production in the second quarter of 1974.

This rapid growth will probably continue in the third quarter—with gains then possibly exceeding the previous year's by 9 percent—followed by a tapering off in the final quarter to a 4-percent gain. Because of the current disparity between costs and prices, resulting partly from still-high grain prices, marketings will include a larger proportion than usual of meat from grass-fattened or shortfed cattle and cows.

Consumer demand, on the other hand, has been stagnant owing to economic uncertainties and failure of retail outlets to pass on all of the price decline.

Imports of meat into the United States under the Meat Import Law—which covers about 70 percent of total

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meat imports—are forecast 365 million pounds below USDA's April estimate to a projected total of 1,210 million pounds. U.S. imports of cooked, processed, and preserved meat, however, may rise some, as South American exporters put more production and export into this category.

Canada. Beef and veal production estimates in Canada are being revised upward 2 percent from April forecasts to 2 billion pounds, owing to an increase in federally inspected slaughter in the first half. However, less of this will flow to the United States—maybe 40 million pounds, or 10 million below the April estimate—as a result of strong consumer demand for beef in Canada and resulting higher prices on the home market. Partly responsible for this condition is the fact that Canada has banned U.S. beef and cattle imports because of the use here of DES in feeding.

Federally inspected hog slaughter in Canada currently is running 5 percent above 1973's and is expected to remain strong through the rest of 1974.

European Community. Despite a number of measures taken this year to limit imports and increase exports, the EC continues in the midst of a beef surplus situation. As of June 2, cattle prices had risen only slightly to 90 u.a. per 100 kilogram (US$49.24 per 100 lb.)—a level still 7 percent under the orientation price and requiring mandatory intervention in the beef market.

Beset by General economic problems, several of the EC countries have gone beyond the restrictive import measures normally taken when such a situation develops. Italy began this move, in late February embargoing further imports of fresh and chilled beef supplies from non-EC countries, only to be followed by France, Belgium, and Luxembourg. These actions then forced the EC to set up an import licensing system for fresh and chilled beef imports similar to the one already in existence for frozen beef. Import license embargoes in the four countries were removed in April but were replaced by other measures to prop up live cattle prices, including:

- April 1. A 12-percent increase in the orientation price on live cattle to 96.50 u.a. per 100 kilograms;
- April 30. Issuance of beef import licenses was suspended for 7 days.
- May 1. A 25-percent increase in the export subsidy on fresh, chilled, and frozen beef. Also, introduction in Italy of an advance deposit system covering beef imports, which first required a deposition of 50 percent of the imported products' value but reduced this to 25 percent on June 4.
- May 2. Full import levies again became applicable on young calves and certain frozen beef for processing.
- May 7. Issuance of import licenses became conditional upon the importers' purchasing equal amounts of frozen beef from intervention stocks at reduced prices. Also, the period of validity for licenses for frozen beef imports was reduced.
- May 9. Import levies on frozen beef were nearly doubled, primarily due to increasing the coefficient used in calculating the levy. Import levies on other beef were raised 16 percent on May 6.
- June 12. Sales prices to importers for intervention-purchased beef were lowered; approximately 17,000 metric tons of intervention beef purchased in 1973 was allowed to be exported at 10-20 percent off the purchase prices; intervention agencies were given subsidy to debone or process beef purchased to aid in storage; and export refunds on beef were raised from 38 to 56 u.a. per 100 kilograms and other European countries were added to the list of eligible export recipients, whereas previously the subsidy had applied only to Mediterranean countries.
- June 27. Imports of live cattle from other European countries were banned until July 12.

Because of such policies, the EC is expected to import only about 965 million pounds (carcass weight) of beef

No U.S. Meat Import Quotas Seen for Now

Because of the lowered estimate of U.S. meat imports, the United States sees no need at the present time to reinstate quotas provided for in the U.S. Meat Import Law, according to Richard E. Bell, Deputy Assistant U.S. Secretary of Agriculture, in a July 1 press briefing. However, he added that USDA would be closely monitoring foreign meat trade, watching especially for diversions to this market and for use of export subsidies on shipments.

The new estimate of 1,210 million pounds would represent the lowest level of meat imports subject to the Meat Import Law (P.L. 88-482) since 1971 and is only slightly above the "trigger" point of 1,131 million pounds for application of quotas under that Law. Quantitative import restraints under the Law were suspended in July 1972 to encourage imports of meat and counteract the price spiral that then was plaguing virtually every country of the world including the United States.

Reporting on his recent 10-day trip to review the situation in Australian and New Zealand—source of about 75 percent of U.S. meat imports subject to quota—and Japan—an important new market for beef and veal—Mr. Bell said that Australia now is expected to ship only 600 million pounds of beef to the United States this year, compared with 700 million in 1973. This lower figure comes because of the best pasture conditions in memory, permitting producers to hold their cattle, as well as because of such factors as the 33-percent appreciation of Australian currency against the U.S. dollar since 1971.

The Japanese market, he said, is depressed by a nearly 25 percent increase in beef production at a time of lower consumer demand, which has caused a slowing down in the issuance of import licenses. However, the Japanese surplus is only a matter of a few thousand metric tons, which should be worked off by year's end.

Referring to the European Community, Mr. Bell said that U.S. imports of beef from Ireland—the only significant EC beef and veal exporter to the United States—will be larger than last year, but so far EC subsidies on Irish beef exports to the United States have amounted to less than 1 cent per pound. He also indicated that the Canadian market, closed to U.S. beef now because of the use of DES in U.S. feed, could be reopened before year's end.

and veal this year, compared with 1,015 million estimated in April and 1,785 million imported in 1973.

In addition, the EC may have to begin intervention in the pork market later, as pork production is expected to increase in the final quarter of 1974.

Japan. As in the EC, Japanese beef imports have been revised down sharply. Currently, it looks as if they will be about 170 million pounds, product weight, or just half of the earlier estimate for 1974 and 42 percent of actual imports in 1973. Through June, the country had bought an estimated 135 million pounds from its major suppliers —Australia, New Zealand, and the United States. These imports have practically ceased, however, and are not expected to resume until the wholesale price of dairy carcass steer beef in Toyko reaches 1,000 yen per kilogram (about $1.63 per lb.). Indications are that this may not occur until fall, since prices are currently under 800 yen per kilogram.

As in other major importing countries, consumption of beef in Japan is off considerably from last year—by some 12 percent. Behind this slackening demand are inflation and a decline in the real GNP, which have prompted consumers to switch from beef to lower priced meats, rice, and wheat products. To help its cattlemen ride out this situation, the Japanese Government has taken such measures as subsidies on storage, low-interest loans toward the purchase of feeder cattle, and programs to encourage beef consumption.

Australia. Unattractive world import prices, tightened import restrictions in the important U.K. market, and the Japanese restriction of beef imports have combined to bring down slaughter cattle prices in Australia, which normally exports 60 percent of its beef production.

But at the same time, unusually good pasture conditions have enabled cattlemen to hold their animals on pasture and thus reduce expected beef production some 20 percent below the 1973 level to 2.66 billion pounds, carcass weight. Slaughter was reduced 20 percent in the first 6 months of 1974 and is expected to continue lower provided pasture conditions remain favorable and there is no major change in world import policies.

Owing to limited export opportunities and lower prices at home, a larger percentage of the production than usual may be consumed on the domestic market. Domestic beef consumption is seen increasing by about 5 percent this year to 1,410 million pounds. Beef exports, on the other hand, are now forecast at 865 million pounds, product weight, or 35 percent below 1973 shipments.

Shipments to the United Kingdom—most important European market for Australia—were off 75 percent in the first 6 months of the 1974 season and are expected to fall to only half that rate in the second half as a result of the EC's added import restrictions. Similarly, exports to Japan will fall to an estimated 90 million pounds from the 240 million previously forecast.

Even the U.S. market is no longer attractive to Australian exporters since in May boneless cow beef, c.i.f. New York, was being quoted at 56 cents per pound compared with 80 cents at the same time last year. With little improvement seen for these prices, U.S. imports of Australian beef and veal in 1974 have been revised down to 600 million pounds, or 14 percent below those in 1973.

New Zealand. Beef production here is estimated at 950 million pounds, carcass weight equivalent—unchanged from the previous estimate but 4 percent below 1973.

Beef and veal production for export was down 10 percent in the first 7 months of the 1974 season but may increase somewhat later in the year to about 420 million pounds, product weight basis, as a result of increased steer slaughter and heavier carcass weights. This will include some 280 million pounds for the United States, compared with 291 million last year.

Ireland. Bucking the declining production trend among major exporting countries, Ireland is seen upping beef output 9 percent in 1974 and export availabilities 13 percent. In fact, through April, prime cattle slaughterings at the meat export plants were up 67 percent, while cow slaughter was double that of a year earlier. This surge in production reflects expectations of short fodder supplies, which will make it difficult for producers to hold cattle through the winter.

In contrast to 1973, Ireland's export markets are limited this year. The EC-6, which last year imported as much Irish beef as the United Kingdom did, is not expected to be such a good market this year because of export taxes levied on Irish beef shipments to equate them with higher EC prices.

Irish shipments to the United Kingdom under the same system did benefit from compensatory payments because of higher orientation prices in Ireland than in the United Kingdom. This changed on July 1, however, when the United Kingdom increased its live cattle orientation price 10 percent to 82 u.a. per 100 kilograms, the same as Ireland's. Also likely to decrease the price attractiveness of the U.K. market is a British beef production expected to increase 20 percent this year.

In addition, the EC-6 countries still qualify for compensatory payments on shipments to the United Kingdom because of higher price levels in the Six. To ease storage problems, EC intervention agencies are now authorized to debone beef, which meets U.K. animal health regulations precluding imports of bone-in beef from foot-and-mouth disease countries.

The EC first granted an export subsidy on Irish boneless beef exports to the United States on January 18, raising it on May 6 to 56 u.a. per 100 kilograms to offset higher charges on exports after the April 1 increase in orientation prices. The net effect, however, is only a small subsidy in the neighborhood of .004 cents per pound since the

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SUMMARY OF ESTIMATED U.S. IMPORTS OF MEAT SUBJECT TO P.L. 88-482
[In million pounds, product weight]

Country	1972	1973	Estimate 1974[1]
Australia	727.5	708.0	605.0
New Zealand	266.2	290.9	280.0
Mexico	81.9	67.1	50.0
Canada	58.3	55.3	40.0
Ireland	30.9	21.8	40.0
United Kingdom	.1	.2	5.0
Caribbean area	190.6	211.1	190.0
Total	1,355.5	1,354.4	1,210.0

[1] As of July 1.

West German Protest Kills EC Durum Price Proposal

By PAUL HESS
Office of U.S. Agricultural Attaché
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IN RESPONSE TO protests by West German Durum millers and pasta producers, the European Community (EC) Council of Ministers recently rejected an EC Commission proposal that would have resulted in a marked boost in the price of imported Durum. As a consequence, this would have opened the German market to an upsurge of lower priced Italian and French pasta product imports. A less stringent measure was finally approved, although the Germans are still not completely satisfied.

The Council's move came on March 23 when it accepted most of the Commission's plan to raise overall agricultural price levels an estimated 8-9 percent by adding small percentage increases to a large number of commodities. In the case of Durum wheat, however, the Council responded to complaints by the German industries and discarded the Commission's suggestions.

Only two countries in the EC—Italy and France—are Durum producers. The other seven countries depend entirely on Durum imports. The EC as a whole is a Durum deficit area, and producing countries satisfy only two-thirds of their own requirements.

The West German Durum industry has bought about one-third of its needs from the United States in recent years. In 1970-71, West Germany imported about 130,000 metric tons of Durum from the United States out of total U.S. exports of slightly more than 1 million tons. In the succeeding 2 years, West German Durum imports declined to 91,000 metric tons in 1971-72 and 106,000 metric tons in 1972-73 while total U.S. Durum shipments had risen to nearly 1.4 million tons.

In its effort to obtain a greater degree of Durum self-sufficiency, the EC has developed and strengthened a price structure to stimulate EC Durum production by providing a guaranteed minimum price and a producer subsidy representing the difference between the guaranteed price and the intervention (support) price.

The EC Commission had proposed the subsidy be removed and incorporated into the target and intervention prices, while at the same time raising the price level (minus the subsidy) by 15 percent. And this proposal was, the Germans believed, a source of danger to the Durum milling and pasta producing industries in West Germany and other north European countries because it would have raised the price of imported Durum compared with EC Durum prices. Had the Commission's suggestion been accepted, the gap between the target and intervention prices—15.83 units of account[1] per metric ton in 1973-74—would have widened to 29.07 u.a. in 1974-75.

Durum mills in Italy and France, which traditionally draw most of their supplies from nearby producing areas at or slightly above the intervention level, have had a significant advantage over other European mills that are almost entirely dependent on imports of overseas Durum at the much higher target price. Had the Council adopted the Commission proposal, the new target price would have forced out of business mills not located near Durum producing areas, the Germans said.

West Germany's 12 Durum millers and 90 pasta producers had strongly protested the Commission's plans. They pointed out that they had already been suffering from the competitive disadvantage of having to pay higher prices for their Durum imports—a statement earlier confirmed by the EC Court of Justice. The West Germans also declared that steadily increasing imports of French and Italian Durum, semolina, and pasta products clearly illustrated this claim.

During the past 5 years, German imports of Italian and French pasta goods have increased almost 70 percent—from some 14,400 metric tons in 1969 to more than 24,000 tons in 1973—while semolina imports rose by 470 percent from nearly 6,400 metric tons to some 36,000 tons in the same period.

According to German Durum millers, a difference of US$39.37[2] per metric ton between the 1974-75 Durum target price and the intervention price (as proposed by the Commission) would have been reflected in a difference of about $59.20 per ton between the cost of producing semolina in France and Italy and the West German price. At this difference, even mills in southern France and Italy—freight costs from

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[1] 1 u.a.=US$1.20635.
[2] DM1=37 U.S. cents.

EC DURUM PRICES: ACTUAL, 1973-74; PROPOSED AND ACCEPTED, 1974-75
[Per metric ton]

Item	1973-74		1974-75				Percent of change in units of account between 1973-74 and accepted, 1974-75
			Proposed by Commission		Accepted by Council		
	Units of account[1]	Dollars[2]	Units of account[1]	Dollars[3]	Units of account[1]	Dollars[3]	
Target price	133.93	161.76	196.83	266.55	182.83	247.59	+36.5
Intervention price	118.10	142.64	167.76	227.18	166.83	225.92	+41.3
Difference between target and intervention prices	15.83	19.12	29.07	39.37	16.00	21.67	+ 1.1
Guaranteed minimum price	155.33	187.61	—	—	196.83	266.55	+26.7
Producer subsidy[4]	37.23	44.97	—	—	30.00	40.63	−19.5

[1] 1 u.a.=US$1.20635. [2] Based on 1973 average exchange rate of 33 U.S. cents=DM1. [3] Based on Dec. 31, 1973, exchange rate of 37 U.S. cents=DM1. [4] Determined by subtracting intervention price from guaranteed minimum price.

Weather permitting

World Dairy Output Ample in 1974

By DAVID R. STROBEL
Foreign Market Development
Dairy and Poultry
Foreign Agricultural Service

WORLD DAIRY production in 1974 will be more than ample—weather permitting—despite high feed costs. Worldwide, demand for cheese and nonfat dry milk continues to increase.

In 1973, total milk production in major dairy countries, not including the United States, was up by a modest 1 percent over 1972 to 334 billion pounds. Had not higher feed costs and adverse weather interfered, 1973 production would have exceeded the 1972 total significantly.

At the start of 1973 it was forecast that milk production in the European Community would be up by at least 3 percent, and it appeared that this prediction would hold firm—until dry weather hit many European countries toward the end of the production season.

As a result of adverse weather, the Community in 1973 produced only 1.7 percent more milk than in 1972, for a total of 215 billion pounds.

The Community clearly is the major dairy production area in the Western World. Its production in 1973 was nearly double the 115.6 billion pounds produced in the United States. The large dairy surplus problem formerly faced by the United States shifted to Western Europe in 1966.

Except in 1971, high EC dairy output has been the primary cause of world dairy surpluses. And the surpluses are the direct result of the Community's Common Agricultural Policy (CAP) for dairy products.

Surplus dairy production in the Community, as a result, will continue in the foreseeable future—providing there are favorable weather conditions—as long as the present EC dairy policy continues. And two recent indications that this policy is not about to be changed are the 1974 increases in the EC target price for milk and the EC's announced intervention (support) price for butter and nonfat dry milk.

For the production year starting April 1974, the EC milk target price and support levels are $7.34 per hundredweight (cwt) for milk; 96.3 cents per pound for butter; and 43.2 cents per pound for nonfat dry milk.

It had been the original intent of the Community only to raise the target price for milk to $7.07 per cwt and to lower the suport price for butter. But producer groups in all EC countries pushed for higher support levels to compensate for higher costs—and they won their point.

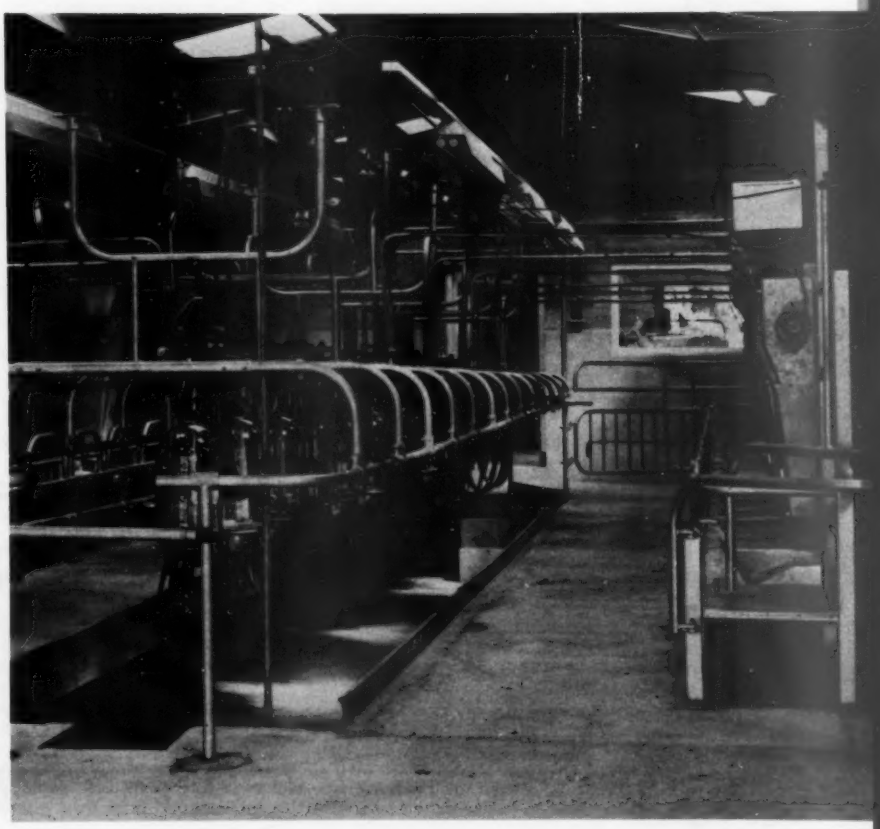
FAS estimates EC milk production in 1974 will—with good weather—increase at least 3.6 percent over 1973.

Both New Zealand and Australia last year again were subjected to severe dry weather toward the end of their production seasons, as they have been for the past several years. As a result, New Zealand's 1973 production was down 6 percent and Australia's was up by only 0.3 percent.

Before the dry spell hit, it looked as if the countries of Oceania were going to increase production significantly over the previous year, even though there had been a drop in cow numbers and labor supply had become increasingly difficult. With good weather in 1974, production in Australia could be up as high as 5 percent, with New Zealand's production advancing to a lesser degree.

This production increase, together with the expected reinforcement of EC supplies, plus growth of 0.5-3 percent in the remaining dairy countries but not including the United States, should result in a total 1974 milk supply of about 345 billion pounds—up by about 3.2 percent over 1973.

The most significant gains in 1973 production continued to be in cheese. With only a few exceptions, cheese over the world maintained strength in



both production and demand, with resultant firm prices. Rising world demand for protein and higher red meat prices were principal factors supporting the strong world cheese market.

Cheese stocks in 13 important cheese-producing countries as of February 1, 1974, totaled 709 million pounds, compared with 744 million pounds in 1973. But in 1974, more milk is moving into cheese production around the world, and anticipated increased milk production suggests that the trend will continue.

If prices of other proteins—chiefly red meat—should weaken, the point could be reached where an accumulation of cheese stocks would accelerate, and prices could decline.

Butter continues to be the problem child in world marketing of dairy products—particularly for the Community. Butter production still is the reservoir for surplus milk production, and unfortunately the general trend of decreased butter consumption goes on in most countries.

In 1973, butter production in the Community was 3.8 billion pounds, compared with 3.6 billion pounds in 1972, with a world average increase of 0.3 percent. Throughout 1973, the Community heavily subsidized its butter into export. For example, the cost-insurance-freight (c.i.f.) price of EC butter in Beirut, Lebanon, was about 45 cents per pound, compared with the EC support price of 96.3 cents.

In addition, the Community attempted to keep its mountain of butter under control through donations to the World Food Program, and by making storage butter available at lower prices, or as donations to its charitable institutions and schools.

THE MAIN REASON, however for EC success in decreasing the size of its huge butter stocks was the decision in 1973 to sell 441 million pounds of butter to Russia for 19 cents per pound.

The outlook for an increase in German butter production in 1974, coupled with one of the largest carryovers in recent history, is bound to create storage problems and act as a powerful incentive to subsidize butter exports.

Last year, Germany participated in large EC subsidized exports of butter to the USSR and butter oil to third countries, which temporarily relieved a very tight storage problem.

When the United Kingdom—the largest butter import market—entered the Community, U.K. butter prices went up. In a move to prevent retail butter prices from going still higher, the United Kingdom recently put into effect a consumer subsidy for butter.

Butter stocks in the Community as of February 1, 1974, amounted to 638 million pounds, compared with 868 million pounds a year earlier. Total stocks of the major producing countries were 865 million pounds, compared with 1 billion pounds in 1973.

Meanwhile, Australian and New Zealand butter stocks of approximately 68 million pounds and 92 million pounds, respectively, in February were about 30 million pounds larger than a year earlier. Australia has been out of the U.K. market since Britain's entrance into the EC, and New Zealand access to the U.K. butter market will decline over the next 5 years.

Both Australia and New Zealand are trying to develop alternative markets, and both have continued to move butterfat in the form of anhydrous milk fat for recombining operations, principally in the Far East areas. The pressures from lower priced vegetable fat as a sub-

Modern milking parlors in the United Kingdom, such as the one shown on the opposite page, are designed for efficient milking operations. Dutch milk cows, above, contribute to EC milk production, which may be at a surplus level this year if weather permits. Milk arriving at Danish plant, left. Denmark's dairy industry has greatly benefited from the firm world cheese market resulting from rising world demand for protein.

stitute for milk fat in these recombining operations may make it more costly in the long term for Australia and New Zealand to maintain these plants on an anhydrous milk fat basis of production.

When the Commodity Credit Corporation in the United States was compelled in the mid-1950's to carry large inventories of nonfat dry milk and anhydrous milk fat, the U.S. Department of Agriculture issued a series of bulletins on recombining designed to encourage such overseas operations.

U.S. firms established overseas plants to produce and market abroad recombined fluid milk, ice cream, and canned milk, using U.S. nonfat dry milk and anhydrous milk fat. The move was successful in helping to reduce CCC inventories.

But it is difficult to increase greatly the world export market for butter, because a large segment of the population in the developing countries of the Near and Middle East does not use milk fat in the form of butter.

The United States learned that it is difficult even to give butter away to these countries. It was necessary to program it into foreign donation in such forms as ghee and sammna—products having the composition of anhydrous milk fat but differing greatly in texture and taste.

Although butter stocks have been lowered, the surplus situation could become worse if anticipated 1974 milk production increases materialize.

The world market for nonfat dry milk remains strong. Production in 1973 of 5.3 billion pounds was 4 percent higher than in 1972. Output in the Community was up 6.5 percent over the previous year. One of the principal factors contributing to this strength was the increased U.S. need for imported nonfat dry milk in 1973.

Stocks of nonfat dry milk in principal producing countries on January 1, 1974, were 894 million pounds, compared with 853 million pounds a year earlier. Stocks in France and West Germany were approximately double those held on January 1, 1973.

RECENTLY, THE Community removed its export subsidy for nonfat dry milk in a move probably designed primarily to assess feed needs. But the higher EC support level and the probability that EC milk production in 1974 will rise significantly suggest that this export subsidy could be reinstated in the future.

The series of temporary increases in U.S. import quotas beginning at the end of 1972 and continuing through 1973 for nonfat dry milk, cheese, and butter were the most important contributing factors—next to weather—that gave strength to the world dairy market in 1973. Therefore, all producing countries will be watching closely developments in 1974 U.S. milk production. It seems clear that in view of the 1974 world dairy outlook there will be continuing pressures for the United States to take a larger volume of dairy products.

With good weather, there will be no significant shortages in world milk and dairy product supplies in 1974. In fact, there could well be more-than-ample supplies.

A British Friesian grazing in Kent.

U.S. Trade Team Reviews Potential For Feedgrain Sales to Far East

By KOY L. NEELEY
Foreign Commodity Analysis, Grain and Feed
Foreign Agricultural Service

EXPORTS OF U.S. feedgrains to Japan, Korea, and the Republic of China (Taiwan) may face reduced growth prospects in 1974 and beyond, as the feed and livestock industries of these countries show signs of slowing production in response to high grain prices and generally lower product prices.

In Japan, both the poultry and swine industries face reduced profitability because of the widening gap between input costs and end-product prices. Present Government policies are aimed at stemming the advance in egg and poultry meat production in order to strengthen producer prices. As a result, feed utilization is expected to expand by only 2 percent this year. And any further rise in world grain prices would also have a depressing effect on import requirements.

Japan's feedgrain needs for the year have been largely filled—with perhaps only a half-million tons remaining to be purchased—according to representatives of the U.S. grain trade based in Japan. Japan has reportedly bought 1.2 million tons of sorghum from Argentina and Australia and a million tons from South Africa for delivery in 1974-75. According to trade sources, further growth in feedgrain imports from Australia is unlikely, and present import levels could decline if Australia's domestic needs rise as a result of successful cattle feeding efforts. Thailand will also supply Japan with about 800,000 tons of corn.

Japanese Government representatives showed only moderate interest in increasing grain stocks held in Japan,

In addition to the author, team members included Darwin Stolte, Elbert Harp, and Fred Ludwig of the U.S. Feed Grains Council.

Feedgrain sales to three important U.S. markets in the Far East face somewhat dimmer prospects this season, as feed and livestock producers cut back in reaction to high grain costs and generally lower product prices.

largely because of the high price and scarcity of land for building storage facilities. Alternatives that have been suggested included storing reserves of purchased grain in the United States or building storage facilities in harbors near petroleum tank fields.

Feed manufacturers expressed hopes that the Government will agree to subsidize storage of a million tons of feedgrains—about 1 month's supply. Such reserves would help to protect the industry against world shortages, price fluctuations, and transportation problems, including strikes.

If beef feeding gains a stronger hold in Japan, feedgrain import needs will strengthen. A demonstration feedlot—the Dai-ei Central Farm—with an 800-head capacity has been constructed near Kagoshima. The first group of steers, Holsteins and Black Wagyu, were slaughtered about June 15.

Constructed on the side of a hill, the 40-acre feedlot was purchased for $10,000 an acre. Leveling and construction costs added about $500,000. A feature of the feedlot is a large manure disposal facility with a 63-day storage capacity.

The level of Korea's feedgrain imports this year will also hinge largely on world grain price levels and the profitability of livestock marketing. Last year, Korea imported 500,000 tons of foodgrains—slightly more than the 450,000 tons planned by the Government. For 1974-75, imports are targeted at 500,000-510,000 tons, with purchases slated to rise to 1.2 million tons by 1981.

Future grain deliveries will be facilitated by the new locks at Inchon harbor, scheduled for completion soon, which will substantially reduce freight and handling costs. The large, new Daehan silo could also be ready by the end of August, although some sources suggest it may not be ready to receive grain until next October. A new Daehan feed mill is also planned on the site of the old feed mill adjacent to the site.

Growth of feed utilization by Korean livestock and poultry industries is expected to continue, but at a slow rate. Mixed feed production in 1973 was 910,000 tons—74 percent of which was poultry feed. Korea's total feed production capacity is about 1.5 million tons.

Korea has 1,700 licensed producers of "makalie," a partially fermented drink made from wheat flour. Makalie production uses about 300,000 tons of wheat flour annually. High wheat prices have caused some shift to corn, however, and the industry expects that 240,000 tons of corn may be used in makalie production next year, if wheat prices remain at present levels.

TAIWAN's feedgrain needs for this year have also been largely filled, although it is expected that an additional half million tons of corn may be purchased by midsummer.

Taiwan has reportedly contracted to purchase 400,000 tons of corn from South Africa and 500,000 tons from Argentina—the latter at $150 a ton c.&f. Contract purchases from Thailand are expected to total 200,000 tons of sorghum, to be used by the brewing industry, and 500,000 tons of corn—the same level as last year's contract. The contract with Thailand is likely to be renewed at the same level next year.

Import needs are not imperative, however, since feed manufacturers, who normally carry a 3-month inventory of feedgrains, now have about a 6-month supply on hand. Further, feed millers are drawing down accounts because of the high cost of carrying inventories and short loan-repayment schedules. Feed millers are planning to start an end-product promotion program, aimed at boosting retail sales of meat and poultry, to improve prices and profits.

Taiwan's corn import needs are already covered through the summer, unless the hog marketing picture improves. If agreement is reached on price, Japan may purchase 100,000 head of hogs from Taiwan, which could relieve the producers' cost-price squeeze. Taiwan optimistically plans to increase dairy cattle numbers from the present 13,000 head to half a million head in the next 10 years.

The Board of Foreign Trade stated that in 1973-74 Taiwan used about 1.5 million tons of corn, 900,000 tons of soybeans, 200,000 tons of sorghum, and 750,000 tons of wheat—of which 200,000 tons must yet be imported. Grain substitutes that Taiwan produces domestically include 700,000 tons of tapioca annually for food use, and 3 million tons of sweet potato (dry basis) for both food and feed.

Spiraling freight costs have also had an upward effect on grain prices. Freight costs for grain deliveries are now $30 a ton from South Africa—compared with $18 a ton last year—$40 from Argentina, and $35 from U.S. Gulf ports.

UNITED STATES: EXPORTS OF GRAINS, SOYBEANS, AND SOYBEAN MEAL TO JAPAN, SOUTH KOREA, AND TAIWAN, JULY-MAY 1973-74
[In 1,000 metric tons]

Item	Japan	South Korea	Taiwan
Wheat	2,834	1,524	849
Corn	6,483	363	428
Sorghum	3,044	63	0
Barley	45	343	96
Oats	23	0	0
Soybeans	2,647	47	596
Soybean meal	165	0	0

Thailand Market for U.S. Tobacco Continues Strong in Long Term

By LEROY HODGES, JR.
Foreign Market Development, Tobacco
Foreign Agricultural Service

Thailand tobacco farmers unload green leaves at buyer's place, top. Farmers hang leaves on pole for drying before delivering to buyer. Thai farmer taking to market his tobacco crop piled high on bullock cart, above.

THAILAND, A WELL-ESTABLISHED customer for U.S. tobacco, is now our second largest purchaser in the Far East, taking 30.5 million pounds in 1972, valued at $35.6 million.

Long-term prospects are optimistic that this upward trend will continue, despite some recent developments that cloud the immediate future for U.S. tobacco sales to this market.

First, the Thailand Tobacco Monopoly (TTM) is being asked to supply an ever increasing share of Government revenue, although no increase in the retail prices for cigarettes has been permitted. As a result, the Monopoly is using larger percentages of domestic leaf in its cigarette blends and is more price conscious in its foreign purchases.

In addition, the vibrant Thai economy is beginning to falter slightly due to the worldwide energy shortage and the withdrawal of U.S. military forces which added significantly to the country's economy for the past several years.

And, third, Thailand's population is becoming increasing aware of the smoking/health question, which has become so prevalent in the developed countries.

However, exports of U.S. tobacco should be at a high level for the long term with the expected upturn again in Thailand's economy due to exchange earnings from sharply higher prices for corn and rice exports, an annual population growth rate of approximately 3.3 percent, and Thai consumer preference for U.S. blended-type cigarettes.

Thailand's recent surge in consumption of U.S. tobacco had its beginning in 1956, when TTM officials began studying the techniques of the U.S. tobacco industry.

Working with specialists in the United States, the Monopoly developed new manufacturing processes and advertised its products for the first time with very good results. TTM officials quickly saw the effectiveness of modern advertising and subsequently developed a competent advertising staff. Total Thai cigarette sales increased by nearly 10 percent annually for the past several years and reached 19 billion pieces in 1973.

Thai smokers are gradually shifting from the traditionally popular straight Virginia or British-type cigarette to the U.S. blended cigarette. Sales of filtered cigarettes are rapidly gaining acceptance with all classes of Thai smokers and now represent over 18 percent of total cigarette sales.

U.S. tobacco trade with Thailand began in the 1930's. Prior to that time most of Thailands' leaf imports came from China where the British American company (BAT) was a leading influence in the production of flue-cured tobacco. The United States forged ahead, however, to become Thailand's largest leaf supplier in 1933 and by 1939 shipments reached 3.5 million pounds. The following year as World War II began, shipments dropped to 1.5 million pounds.

When trade resumed some 5 years later, the United States became almost the sole supplier of imported leaf to Thailand. Purchases of U.S. tobacco increased each year from 1.3 million pounds in 1946 to 9.4 million pounds 10 years later and totaled 30.5 million pounds by 1972. Currently flue-cured tobacco makes up the major part of Thailand's U.S. tobacco imports and burley the remainder.

Thailand's ever increasing U.S. tobacco imports are going into domestic production of cigarettes. As domestic production has grown in the past few years, cigarette imports have almost been discontinued.

Before World War II, Thailand was also a sizable importer of cigarettes, taking 4.5 billion pieces in 1931, mostly from the United Kingdom. However, imports dropped off sharply as the war began and never again approached prewar levels.

In 1946 Thailand imported only 400 million cigarettes and the market has been dwindling rapidly since that time. By 1962 the United States overtook the United Kingdom as the major cigarette supplier to the steadily diminishing Thai market.

THAI PRODUCTION of cigarettes under the Monopoly has zoomed ahead from only 644 million pieces in 1946 to 8.4 billion by 1956.

Tobacco was introduced to Thailand in the early 17th century when it was the small Kingdom of Siam. Indian and Persian merchants brought in seeds from which a native air-cured tobacco was developed. This tobacco was blended with imported leaves and rolled into crude cigars or crumbled into clay pipes. Smoking gradually became popular with all classes of Siamese people.

By the early 1900's oriental and straight Virginia cigarettes were being imported and small local manufacturers began producing the new cigarettes from imported tobacco. When tobacco imports were interrupted by World War II, local manufacturers began importing seedlings and producing better tobaccos to blend with the native leaf.

In 1933 the British American Tobacco Company (BAT) began operations in Thailand and quickly gained the dominant role in both leaf production and the manufacture of cigarettes. BAT introduced Virginia tobacco and systematically developed plantations to supply its leaf requirements.

The Thailand Tobacco Monopoly was created in 1941 when the Thai Government purchased the British American cigarette factory and tobacco plantations and merged them with holdings of smaller companies.

Since 1946 the Monopoly has actively encouraged the expansion and improvement of the domestic flue-cured crop by farmers under contract with the Monopoly and by producers under contract with several licensed curers who are granted quotas by TTM. The Monopoly and the curers established centralized curing and grading centers and furnish producers financial aid and technical assistance.

About half of Thailand's flue-cured crop is purchased by the Monopoly and the balance is sold to a growing number of independent tobacco dealers for redrying and packing for export.

Thai flue-cured tobacco has a low tar/nicotine content, excellent filling characteristics, and is reasonably priced. A total of 33 million pounds was exported in 1973 to such major markets as West Germany, taking 6.3 million pounds; the United Kingdom, 5.7 million; the United States, 5.6 million; and Japan, 5.5 million pounds.

Higher prices will be paid the flue-cured tobacco farmers for the 1973-74 crop in an attempt to raise the level of production but adverse weather conditions are expected to limit this year's output to around 46 million pounds. Burley production is estimated at 6.6 million; oriental, 1.1 million; and native air-dried, 48 million pounds.

JAPAN URGES "STABLE, EFFICIENT" FOOD SUPPLY

Japan's 1973 Agricultural White Paper, published by the Ministry of Agriculture and Forestry (MAF), was released recently in addition to two other studies on that country's agricultural and food situation.

Of particular interest to U.S. agriculture are several conclusions listed in MAF's report as being of paramount importance in securing a "stable and efficient supply of food" in Japan.

These are: Increasing Japan's self-sufficiency in food; establishing long-term bilateral import agreements; diversifying source of supply of imported foods; and increasing agricultural production in developing countries through "long-term cooperation in development."

One of the other papers, closely related to MAF's White Paper, was prepared by the Agricultural Problem Deliberation Council, an organization formed about 3 years ago by agricultural organizations and agribusiness to study the broad spectrum of Japan's agricultural problems.

The proposal, "The Basic Concept of Japanese Agriculture—To Provide Against a Food Crisis," emphasized raising the self-sufficiency rate for food. It also recommended increased efforts and more Government funds to modernize agriculture, positive promotion of development in third countries that have the potential to produce agricultural products for export to Japan, and accumulation of larger food stockpiles.

The Agricultural Administration Research Center in Japan also has published "White Paper on Foodstuff Economy." The main points in this paper are: Increase support price of other agricultural commodities to make them as profitable to producers as rice; expand Government assistance; and promote efficiency in production. Various areas of production, distribution, processing, and inspection are analyzed also.

This study points out that 27 percent of Japan's expenditure for food is paid to the processing sector, which is generally on a small scale with low productivity. The paper also states that in order to hold down prices, it is necessary to liberalize Japan's trade in processed food.

TAIWAN'S SOYBEAN IMPORTS DROP DUE TO FEED-MEAT PRICE GAP

Taiwan's imports of soybeans in 1973 were nearly 100,000 tons below the record levels imported in 1972. Prospects for the current year are that imports are likely to remain near or below 1973 purchases.

Taiwan's feed industry at present is in a near-crisis stage. Pork and poultry production is being discouraged by high feed prices and Government controls on the retail prices of finished meat. Thus, demand for feed is down substantially, but feed manufacturers are under pressure from the Government to continue import purchases of corn and soybeans at a rate well beyond their actual consumption requirements.

It is likely to be several months before the many problems of adjustment in the livestock sector are resolved. In the meantime, sales of finished feeds and demand for imported raw materials, primarily corn and soybeans, will be reduced.

Taiwan's imports of soybeans in 1973 are reported at 626,034 tons, a decrease of 12 percent from the 1972 record level of 711,611 tons. Tight world oilseed and protein meal supplies, spiraling soybean prices, and the U.S. embargo on soybean exports were the main causes of this decrease. Soybean prices ranged from US$139 f.o.b. at the beginning of the year to a high of US$440 in May of 1973. Ocean freight ranged from US$20 per metric ton to US$50 during 1973. In 1973, all soybeans were imported from the United States, with the exception of 37,800 tons from Brazil.

Soybean imports in 1974 are expected to level off at about the same quantity as that of 1973. However, U.S. Census Bureau data indicate soybean exports to Taiwan during September-May 1973-74 at 19.6 million bushels, 26 percent above the volume for the same period in 1972-73. High internal feed costs, despite Government subsidies, and controls on domestic meat prices are the main reasons for the expected leveling off in consumption. The difficulty in arranging ocean shipments, congestion at the ports, and increased interest rates are also holding back soybean imports.

Taiwan lifted its ban on rapeseed imports in January 1973, and a total of 25,037 tons was imported in 1973. Imports of other oilseeds and vegetable oils remained insignificant.

Following the rapid rise in international commodity prices in late 1972 and early 1973, Taiwan's Government established a special low-interest revolving fund of $200 million to assist local importers in the purchase of soybeans and other bulk commodities.

At the same time, the Government instituted a subsidy on soybeans and agreed to pay any portion of the purchase price above $220 per metric ton. This subsidized price was raised to $278 per metric ton on January 26, 1974, and remains at that level.

One measure taken by the Government to contain the spiraling price of farm products in 1973 was to reduce the tariff rate on soybeans temporarily from 13 percent to 7 percent. The import duty on soybean meal has been permanently reduced to 14 percent—formerly the permanent duty was 78 percent. The tariff on imported soybean oil was reduced, as a temporary measure, from 39 percent to 33 percent in April 1973.

West Germany Protests EC Durum Price Policy

Continued from page 5

Marseilles or Sicily to southern Germany are about $21.50 per metric ton—could have offered their semolina on the German market about $37 per ton cheaper than German mills. French and Italian pasta products would have had a similar competitive advantage.

The Council, obviously aware of the difficulties being faced by the German and other north European pasta and semolina makers, and under pressure from these industries and their governments, voted to leave the gap between the target price and the intervention price about the same as it had been. However, it raised both prices considerably—by 36 and 41 percent, respectively. The guaranteed minimum price—which the Council had planned to abolish—was instead fixed about 27 percent higher than that of 1973-74.

It also decided to pay a reduced but substantial subsidy to Durum farmers that guarantees them a selling price 79 percent higher than that of less fortunate non-Durum wheat producers. Because prevalent weather conditions prevent northern farmers from growing Durum, they are limited to production of soft wheat for which the suport price has been increased only 4 percent. The boost in Durum prices was by far the largest percentage increases in the whole EC agricultural price package.

German Durum processors view this new pricing structure with mixed feelings. Their major complaint of impending disaster due to the intended 84 percent increase in the difference between the target and the intervention price for Durum has been eliminated; their longstanding concern about competitive advantage given to French and Italian pasta makers has not.

To what extent the new price system will affect EC Durum production and imports from Germany's traditional overseas suppliers remains to be seen. There is still land that can be converted to Durum production, although reserves are greater in France than in Italy.

By April 1, 1975, the EC Commission is to propose another Durum pricing system "more in conformity with market conditions," but whether north European producers will declare it "just" is—at least on the basis of recent history—doubtful.

WEST GERMANY: IMPORTS OF DURUM SEMOLINA AND PASTA PRODUCTS
[In metric tons]

Year	Semolina			Pasta products			Grand total
	France	Italy	Total	France	Italy	Total	
1967[1] ..	[2] 8.0	39.6	48.0	1,711.5	7,323.1	9,255.4	9,303.4
1968[1] ..	7,106.3	5,971.3	16,525.0	1,958.3	10,373.8	12,679.7	29,204.7
1969 ...	6,201.4	152.2	6,357.9	1,946.9	12,018.1	14,395.1	20,753.0
1970 ...	25,662.5	1,711.2	27,385.5	2,206.5	13,645.3	16,698.2	44,083.7
1971 ...	31,315.2	758.2	32,186.4	2,269.7	14,393.0	17,792.4	49,978.8
1972 ...	33,792.9	183.1	33,988.6	2,239.5	17,501.5	21,085.6	55,047.2
1973 ...	36,109.0	38.5	36,201.3	2,421.6	19,548.7	24,062.0	60,263.3

[1] Semolina data include soft wheat semolina imports. [2] Estimate.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	July 9	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	5.82	+18	(1)
USSR SKS-14	(1)	(1)	(1)
Australian FAQ[2]	(1)	(1)	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	5.71	+27	3.70
15 percent	(1)	(1)	3.16
U.S. No. 2 Hard Winter:			
13.5 percent	5.11	−6	3.67
No. 3 Hard Amber Durum	7.44	+27	4.19
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.47	+1	3.09
Argentine Plate corn	3.78	+2	3.49
U.S. No. 2 sorghum	3.02	+12	2.98
Argentine-Granifero sorghum	3.04	+12	2.96
U.S. No. 3 Feed barley	2.89	−4	2.57
Soybeans:			
U.S. No. 2 Yellow	6.72	+37	8.16
EC import levies:			
Wheat[3] [4]	0	0	1.03
Corn[5] [4]	0	0	.35
Sorghum[5] [4]	.45	−11	.46

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] Durum has a separate levy. [4] Levies applying in original six EC member countries. Levies in UK, Denmark and Ireland are adjusted according to transitional arrangements. [5] Italian levies are 19 cents a bushel lower than those of other EC countries. Note: Price basis 30- to 60-day delivery.

U.S. Team Confirms Good Soviet Winter Wheat Harvest Prospect

A U.S. team—recently visiting Soviet winter wheat regions under the terms of the U.S.-USSR agreement providing for cooperation and the exchange of information in agriculture—confirms that winter wheat crop prospects are good.

According to a recent statement by the USSR Ministry of Agriculture, conditions for the 1974 Soviet winter grain crop generally are favorable, and, the harvest of winter grains will total 60 million metric tons. Last year, when a record total grain harvest of 222.5 million metric tons was achieved, winter grains (including wheat, rye, and barley) amounted to about 63 million metric tons.

In 1973, winter wheat yields averaged 40 bushels per acre for a total production of about 49 million metric tons. The USSR expects better yields and higher output this year. Based on observations by the U.S. team, primarily in the North Caucasus and Donetsk and Volgograd Oblasts, the 1974 winter wheat crop could repeat last year's level.

Heavy Rains Halt Chile's Wheat Plantings

Steady rains beginning in the second week of June have prematurely terminated winter wheat planting in Chile with only 30-40 percent of the intended acreage seeded. Earlier estimates of this year's total wheat production (the bulk of the harvest will occur the first months of 1975) projected a return to Chile's historical output of 1.3 million metric tons, following a 3-year average of only 800,000 tons. While increased planting of intermediate and spring wheat could offset the reduced planted area of winter wheat, the crop now will probably be less than a million tons.

Morocco's Bigger Wheat Crop May Cut Imports

Moroccan wheat production for the 1974 harvest may equal or exceed the 1968 record of 2.4 million tons. If this forecast materializes, Morocco may import only 250,000 tons of wheat in 1974–75. Estimated imports for 1973–74 were 1 million tons of which 759,000 tons were imported from the United States.

Prospects for wheat were poor through January because of dry weather. Since then moisture conditions have been good.

Part of the increase is due to a shift of about 495,000 acres from barley into Durum, but cereal yields in general will be better than last year's. Barley production will be higher even on a smaller area. Bread wheat production will be much higher because of increased use of Mexican-type wheat. Over 5,000 tons of improved seed were distributed this season compared to 3,000 tons in 1972–73.

Producers' price of bread wheat has been increased 40 percent over that for 1973. Durum is up only 22 percent. The bread wheat price of $145 per ton is now higher than that of Durum, set at $138. In previous years, the price for Durum was always higher than that for bread wheat.

COTTON

Brazil Increases Cotton Import Duty

Brazil has announced plans to raise the ad valorem duty on raw cotton imports to 55 percent. It is unclear whether the increase will apply to members of the Latin America Free Trade Area (LAFTA) and nonmember countries alike.

The increase is from zero for LAFTA members and 5 percent for nonmember countries—rates that have been in effect since July 1973 when respective reductions from 13 percent and 55 percent occurred in response to increasing domestic

mill requirements and to what was then viewed as an alarmingly tight world supply situation. This latest action apparently is aimed at encouraging the local mill industry to use more domestically produced cotton—recently reduced in quality and quantity by heavy rains—rather than import.

TOBACCO

West German Leaf Imports Up

German unmanufactured tobacco imports increased substantially in 1973 totaling 371.3 million pounds, a 15.4 percent increase above 1972 imports. The United States, West Germany's major supplier of unmanufactured tobacco, provided 100.2 million pounds of tobacco, mostly flue-cured, representing 26.9 percent of all unmanufactured imports. Because of higher imports from other countries, the U.S. share in overall German unmanufactured tobacco imports dropped from those of a year ago. The U.S. share in arrivals of flue-cured tobacco dropped 7 percent from the previous year's share while burley showed a substantial gain of 14 percent.

The per pound value of all imports was 80 U.S. cents, and the value of those from the United States was US$1.07.

Canada May Form National Tobacco Board

Representatives from Canada's tobacco marketing boards met recently in Ottawa with the National Farm Products Marketing Council (N.F.P.M.C.) to discuss formation of a national board. A committee will meet in early summer to discuss recommendations and draft necessary proposals.

The Farm Products Marketing Agencies Act states that national marketing agencies can be established to regulate production and marketing of a farm product. Proposals must be submitted to the N.F.P.M.C. for review of all provisions of the enabling legislation.

Establishment of a national tobacco marketing board will curtail competition for markets and prices among growers from different provinces.

FATS, OILS, AND OILSEEDS

Philippine Coconut Oil, Copra Exports Lag Sharply

Despite expected recovery in the monthly flow of Philippine exports of copra and coconut oil, May exports declined to 25,900 metric tons (oil basis). This was the lowest level since March 1970.

Exports during October 1973-May 1974 were 450,600 metric tons, one-third below the 683,900 tons shipped during the same 1972-73 period. The decline is equal to the oil fraction of 48.4 million bushels of soybeans.

U.S. imports of copra and coconut oil during October 1973-May 1974 declined to 204,500 metric tons (oil basis), compared with 318,600 tons for the same period of 1972-73. Indications thus far show U.S. takings have declined about in line with Philippine availabilities and continue to account for about 45 percent of their exports.

Despite declining levels of recent months, exports are expected to turn upward sharply in coming months. The recent decline could be a reflection of reported copra smuggling out of southern ports to avoid the heavy export tax, or it could represent a short-term holding action by exporters anticipating some reduction in export taxes.

Brazil Stops Soybean Export Licensing

Effective July 2, CACEX, the Foreign Trade Department of the Bank of Brazil, reportedly suspended further licensing of soybean export contracts. Although no official announcement was made previous to July 5, trade requests for soybean export licenses were refused. Unofficial estimates of licensed export contracts through July 2 range from 2.0 to 2.2 million tons. This compares with the Government target for total 1974 crop exports of 2.4 million tons. This latest Government measure apparently is designed to insure adequate supplies of soybeans to the domestic crushing industry, particularly during January-April 1975.

Argentine Soybean and Peanut Output Down

Estimated Argentine soybean production for 1974 has been revised downward from 550,000 metric tons to 500,000 metric tons. The 50,000 ton or 9 percent reduction of estimated soybean outturn was prompted by reports that bad weather during the harvest damaged both unharvested beans and those stored without protection on farms after harvesting. Despite this loss, Argentine production this year will be 84 percent above last year's 272,000-ton soybean crop.

Argentine peanut production is now officially estimated at 334,000 metric tons, 106,000 tons or 24 percent less than last year's 440,000 ton crop. The reduction is primarily because of a decline in yields.

Philippine Coconuts Suffer Slight Typhoon Damage

A report from Manila indicates that the Philippine coconut industry suffered only minimal damage to certain coconut areas in the recent typhoon. On the other hand, heavy rains should benefit production generally.

The industry currently estimates copra production in 1974 at about 10 percent below 1973's. Production in the second half of 1974 is expected to exceed that of second-half 1973 but will not offset low production in the first half of 1974. Trees are said to be slow in recovering from the 1972-73 drought.

Harvesting of immature nuts since mid-1973 is said to be mainly responsible for low yields and reduced tonnage.

DAIRY AND POULTRY

Changes in Poultry and Egg Prices, Levies Proposed

The European Community (EC) Commission has submitted to the EC Council a proposal to change the method of calculating gate prices and import levies for poultry and eggs. The proposals include changes in the feed conversion ratio and grain ration components in determining levies and gate prices for broilers.

The changes that the Commission now proposes are long

overdue in view of the unrealistic feedgrain conversion coefficients used in the past. However, such changes will probably not significantly reduce the level of EC protection because of other factors, such as the relative levels of EC and world market prices for grains. Furthermore, any gain that might be realized from lower conversion coefficients could be nullified by changes in the supplemental levy.

U.K. To Cut Butter Output

The United Kingdom Milk Marketing Board forecasts that U.K. butter production in 1974 could be cut in half.

The high cost of purchased feed is causing farmers to utilize grazing to a much greater extent than usual. Even under normal weather conditions, increased grazing would reduce the production of hay and silage. The prevailing dry weather, however, is expected to curtail production even more.

Brazil Imports Milk

Milk shortages are reported continuing in Brazil. The recent 14 percent increase in retail prices has apparently had little effect on supply. The Government has reportedly imported 20,000 metric tons of powdered milk from New Zealand and France, and expects to supply some 200 million liters of recombined milk to deficit areas.

GENERAL

Laurel-Langley Successor Pact Discussed

The Laurel-Langley Agreement between the United States and the Philippines expired July 3. According to the provisions of the Agreement the transitional preferential duties—in effect since January 1, 1974, on U.S. imports of Philippine sugar, tobacco, cigars, pineapples, and abaca cordage—increased to 100 percent of the U.S. most-favored-nation (MFN) rates as of July 4. In addition, the absolute quota on abaca cordage expired, permitting unlimited imports on a MFN duty basis, and the U.S. duty on coconut oil imports decreased from 3 cents per pound to the U.S. rate for the Philippines of 1 cent per pound.

Discussions on a successor treaty began in Manila June 24. The chief objective of the talks is to provide a smooth transition to full Philippine sovereignty over U.S. investments made between 1946 and 1974. Efforts will also be made to reduce barriers to U.S.-Philippine trade.

While trade matters will be dealt with in the proposed treaty of Economic Cooperation and Development, there will be no extension or renewal of the bilateral preferences terminated by the expiration of the Laurel-Langley Agreement.

India Presents 5-Year Agriculture Plan to Parliament

India's Annual Plan for 1974-75, the first year of the Fifth 5-Year Plan, was presented to Parliament on May 3. This plan envisages a total outlay of about US$5.32 billion for development programs in the central and State sectors of the economy during 1974-75, representing a 20 percent increase in anticipated plan expenditure over that of the previous year. Agriculture and allied programs, including irrigation and flood control, account for an outlay of some US$1.12 billion or 21.1 percent of the total 1973-74 plan outlay. This compares with a provision of US$1.16 billion for expenditure on agriculture and allied programs in the 1973-74 Annual Plan, which was 24.5 percent of the total Plan outlay for all sectors.

Production of foodgrains is proposed to be increased to 118 million metric tons during 1974-75 from the assumed output level of 110 million tons in 1973-74. Production targets for other important agricultural commodities set for 1974-75 are: Oilseeds, 10 million tons; sugarcane (in terms of cane), 141 million tons; cotton, 6.8 million bales (180 kg); and jute and mesta, 6.9 million bales (180 kg).

Consumption of chemical fertilizers during 1974-75 is projected at 2.3 million tons of nitrogen, 650,000 tons of phosphate, and 450,000 tons of potash. The target for indigenous production of fertilizers for this year is set at 1.5 million tons of nitrogen and 400,000 tons of phosphate. In the past, however, output has not reached targeted levels.

U.S. Agricultural Trade Shows $905 Million Surplus

U.S. agricultural exports during May totaled $1.795 billion, and imports were $890 million, producing an agricultural trade surplus of $905 million.

The U.S. Department of Agriculture (USDA) reported that exports in May were down 10 percent from the April level, but exceeded those of May last year by 32 percent.

USDA figures show a U.S. balance of trade in agricultural products for the first 11 months of fiscal 1974 (July-May) of $10.9 billion, more than double the $4.9 billion for the same period a year earlier.

Exports during July through May this fiscal year were $19.615 billion, against imports of $8.671 billion. For the same period a year ago, exports were $11.524 billion and imports $6.659 billion.

Department officials said June shipments would push exports for the year to a value of at least $21 billion, and forecast a trade balance in agriculture for the year of around $11.5 billion.

Corrections: U.S. imports of beef given on line six of "Argentine Beef Exports Down Although U.S. Imports Larger," page 14, July 8, 1974, should read 41 million pounds. Farm products listed on line six of "EC May Reduce Duties on Farm Commodities," page 14, July 8, 1974, should read Bitter or Seville oranges, fresh or dried.

Other Foreign Agriculture Publications

- Livestock Exhibits Throughout the World (FAS M-259)
- EC Poultry Situation and Outlook (FPE 1-74)
- U.S. Seed Exports During July 1973-March 1974 Valued at Record $87.8 Million (FFVS 2-74)
- Cotton Consumption in Selected Importing Countries (FC 10-74)
- Cotton Makes Important Contribution to Greek Economy (FC 11-74)
- Central American Cotton Acreage To Rise (FC 12-74)

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World Meat Trade Sagging

Continued from page 4

subsidy is reduced by both transition and monetary compensatory charges. Last year, the United States imported 22 million pounds of Irish beef. This year entries could be about 40 million pounds. Actual January-May imports were 29 million pounds.

Central America. U.S. imports from Central America subject to the Meat Import Law are seen declining 10 percent from last year to 190 million pounds, as good range conditions allow Central American producers to withhold cattle from market. A side effect of this has been closings of slaughter plants in Guatemala, Honduras, Costa Rica, and Panama, with operations generally not expected to return to normal until September.

Mexico. The Mexican Government, as in the past, is limiting beef exports by quarterly quotas in order to increase domestic supplies; beef exports to the United States are expected to remain at the previous estimate of 50 million pounds, product weight. Mexican feeder cattle shipments to this country, on the other hand, could increase as a result of continuing drought in the leading livestock-producing States of Sonora and Chihuahua.

South America. Because of prevalence of foot-and-mouth disease, leading exporters of meat in this area are only permitted to export cooked, canned, or otherwise preserved meat to the United States—shipments that do not come under the U.S. Meat Import Law. Sales of these products to the United States are generally expected to be larger in 1974 than last year as a result of restriction on fresh meat imports into the EC market. Argentina, for instance, in the first 5 months of 1974 already had sold 55 percent more processed beef to the United States than in the same 5-month period of 1973.

This better market in the United States also will affect the mix of South American beef production, making for larger production and export of processed products and reductions in sales of cuts and quarters.

BEEF AND VEAL: WORLD IMPORTS FOR SELECTED COUNTRIES AND TOTAL FOR ALL COUNTRIES
[In millions of pounds, carcass-weight equivalent]

Country	Average 1966-70	1970	1971	1972	Estimated 1973[1]	Forecast 1974[1]
United States	1,501	1,816	1,756	1,996	2,002	1,260
EC[2]	1,481	1,382	1,035	1,686	1,785	965
Canada	125	226	176	217	225	150
Japan	56	79	138	191	428	250
Spain	235	227	86	186	180	200
Greece	112	156	110	97	145	115
Switzerland	75	79	79	95	90	80
Germany, East	156	180	43	94	75	100
USSR	93	133	97	88	75	100
Chile	27	29	93	85	50	60
Portugal	32	10	51	69	43	50
Other countries	440	562	504	506	560	500
Total[1]	4,333	4,879	4,168	5,310	5,658	4,430

[1] By FAS. [2] Excludes intra-trade.

BEEF AND VEAL: WORLD EXPORTS FOR SELECTED COUNTRIES AND TOTAL FOR ALL COUNTRIES
[In millions of pounds, carcass-weight equivalent]

Country	Average 1966-70	1970	1971	1972	Estimate 1973[1]	Forecast 1974[1]
Australia[2]	965	1,165	1,180	1,640	2,070	1,250
New Zealand[2]	471	573	585	615	697	600
Canada	77	121	115	94	88	50
Mexico	95	115	107	130	80	70
Central America[3]	167	223	243	298	311	300
EC[4]	272	334	354	200	100	200
Argentina	1,487	1,571	1,006	1,527	1,226	800
Brazil	162	273	347	502	425	230
Uruguay	224	313	191	321	352	400
Yugoslavia	178	132	122	124	149	125
Other	690	689	699	800	843	700
Total	4,788	5,509	4,949	6,251	6,341	4,725

[1] FAS forecast. [2] Year ending October 31. Before 1971, year ending June. [3] Includes Dominican Republic and Haiti. [4] Excludes intra-trade.

* U. S. GOVERNMENT PRINTING OFFICE : 1974 541-569/53